

MEMORANDUM FOR:

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A/NIO/USR-EE

have seen

Attached for your information and future reference is a copy of the notes put together by the Director for today's NSC meeting. They give you a feel of how he prefers to pin down the substance for his presentation. Meanwhile, he commented that the material given him was good and much appreciated.

Date

26 Feb 82

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TALKING POINTS ON PIPELINE AND CREDITS

The basic intelligence situation is that:

- The Soviet Union is in economic difficulties and plainly worried about its hard currency finances.
- Poland is in dire economic straits and almost all other East European countries are facing varying degrees of economic difficulties.
- Maximum implementation of US sanctions will have some marginal but not decisive effect on the pipeline and risk of a major dispute in the Alliance.
- Invoking the tank clause in the Polish laws will reduce the availability of credit and increase its costs to both the Soviet Union and its East European satellites but again create a major dispute in the Alliance.

There are two alternative objectives to be sought in imposing economic sanctions against the Soviet Union. The first is to influence them to cause them to moderate the repression they have inflicted on Poland. The other is to influence the West to scale down the subsidizing of the Soviet economy and the attendant military buildup through the transfer of technology material and credits. The importance of Poland to the security and other interests of the Soviet Union is so great that it is questionable whether any economic threat is capable of influencing them to scale down that repression which according to all indications they believe necessary to control Poland and avoid a recurrence of the risk of liberalization there.

SECRET

The Norwegians are finding very large amounts of gas along their far northern coast. They are beginning to be concerned that the Soviet pipeline may deprive that gas of a viable market for some time. A combination of suitable incentives in the form of a long-term contract at an attractive price, a low rate of interest comparable to that which the Soviets have obtained, and stressing the security importance of an alternative source of gas ^{General} would induce the Norwegians to undertake to develop their new gas fields and bring it to Europe either via pipeline or in liquified form.

It would appear that the extraterritorial of sanctions and invoking of the tank clause would have value as a bargaining tactic in negotiating for these more attainable objectives:

- a. A commitment not to go forward with the second pipeline and not to take more than the minimum amounts of gas required by the contract.
- b. A commitment to move forward in an agreed fashion to bring Norwegian gas down to Europe to meet additional requirements and provide an alternative source.
- c. An agreement to restrict a strong credit limitation agreement. There will be strong resistance to limiting government credits.